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ADMINISTRATIVE & AUDIT STANDING COMMITTEE MEETING
HAWAIʻI TOURISM AUTHORITY
Monday, April 7, 2025, at 10:00 a.m.

Virtual Meeting

MINUTES OF THE ADMINISTRATIVE & AUDIT STANDING COMMITTEE MEETING

MEMBERS PRESENT:	James McCully (Chair), David Arakawa (Vice Chair), Todd Apo, Mahina Paishon, James Tokioka (Ex Officio, DBEDT Director), Mike White
NON-VOTING MEMBERS PRESENT:	Stephanie Iona, Roy Pfund
HTA STAFF PRESENT:	Caroline Anderson, Kalani Kaʻanāʻanā, Isaac Choy, Talon Kishi
GUEST:	Teri Orton
LEGAL COUNSEL:	John Cole

1. Call to Order

Chair McCully called the meeting to order at 10:01 a.m.

2. Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic

Mr. Kishi conducted the roll call, and members were confirmed in attendance by themselves.

3. Approval of Minutes of the February 14, 2025, Administrative & Audit Standing Committee Meeting

Vice Chair Arakawa proposed a motion to approve the minutes and Dir. Tokioka seconded it. The motion passed unanimously.

4. **Discussion and/or Action on HTA's FY2024 HTA Independent Financial Audit Report Presented at the March 27, 2025 Regular Board Meeting**

a. **Presentation by Mr. Leslie Kondo, Hawaii State Auditor (Subject to Availability)**

Chair McCully introduced Agenda Item #4, Discussion on Issues Raised by the FY2024 HTA Independent Financial Audit Report, as presented at the March 27 Regular Board meeting. He noted that item 4(a) was to be a presentation by Mr. Leslie Kondo, the Hawaiʻi State Auditor, but he was not available.

b. **Discussion on Issues Raised by the FY2024 HTA Independent Financial Audit Report**

Chair Apo asked if it would be permissible for him to share what he had gathered since the Board meeting about these issues, and Chair McCully responded that this would be a good way to begin the discussion.

Chair Apo stated that since the previous two Board meetings, he had spent some time obtaining documents and speaking to staff at the HTA and the HCC to get a good picture of what had happened.

The discussion was based on the comment in the financial audit about two events held at the HCC, one the Hawaiʻi Lodging and Tourism Association (HLTA) conference and the other the Pacific Century Fellows (PCF) breakfast. After studying the available documents, Chair Apo had drawn the following conclusions:

Both events were contracted using the HTA Space Request Form (SRF), which was transmitted from HTA staff to HCC staff. Neither the HLTA nor PCF had contracted for the space. Chair Apo had seen documents stating that the HTA CEO had the authority and discretion to hold HTA events at the HCC through the use of the HTA SRF. Chair Apo noted that on the form's second page, functions were listed, ranging from HTA Board and Committee meetings to HTA program meetings and HTA events for the industry and public. There was a check box for meetings initiated by external contractors. Based on this information, Chair Apo believed these were HTA events for the industry and the public. The HCC had serviced the events on the basis that they had been requested using the HTA SRF, and the normal practice with events that were ordered through in this way was to make no charge for space use while charges for food and beverage were passed from the HCC to the HTA by a year-end reconciliation. Chair Apo mentioned this because it explained why no invoices had been sent to either of the two organizations. The HCC had serviced the events and charged the HTA for food and beverages in accordance with normal practice.

Chair Apo noted that the financial audit referred to “discounted or complimentary services to the two organizations.” He believed this was not an accurate description, given that the HTA SRF had been used to request the events under the authority of the CEO. He considered that it would have been different if either entity had contacted the HCC to contract for services before being given a discount. Chair Apo considered that the situation would have corresponded more closely with the audit language. He understood the outcomes were similar, but the language would have been different.

Chair Apo concluded by stating that he believed the CEO had the authority and the discretion to identify the events as HTA events and to use the HTA SRF, which was what had happened here.

He understood that the status of these two events as HTA events was debatable, but he did not perceive an abuse of discretion in the decision to use the HTA SRFs. This explained why the two organizations were not charged, but after the Special Board meeting on March 25, 2025, both HLTA and PCF requested invoices for the food and beverages for the two events. HCC had supplied the invoices, and they were in the process of being paid. Chair Apo concluded that if the entities had been supposed to pay, payment was being taken care of.

Chair Apo’s final observation was a reminder that if Board members or HTA staff members were connected with events being held at the HCC, they needed to be careful to observe the correct procedure. He believed that these reminders would still be discussed again because all Board members understood the importance of reviewing what had happened, identifying potential gaps in the process or the policy, and repairing these gaps.

The HTA staff had reported to the Board that some policy changes had already been made. Board members should study these changes and discuss with staff whether additional policy changes are needed to deal with events or requests in the future.

Chair Apo stated that, in his opinion, this should close the discussion about the two events that had been the subject of the special board meeting and part of the regular board meeting, with the hope that going forward, there would be corrections, and everyone could learn from what had happened and move on.

Chair McCully thanked Chair Apo and gave the floor to Vice Chair Arakawa.

Vice Chair Arakawa thanked both Chair McCully and Chair Apo. He believed they should be aware that Chair Apo believed there was no issue. However, Vice Chair Arakawa believed that the audit spoke for itself, and if the Board believed that there had been no abuse of discretion, the audit should be challenged. He did not believe the audit should be challenged; instead, the Board should learn from it and move on.

Vice Chair Arakawa stated that he would strongly object to a proclamation that there had been no abuse of discretion based on a private review by one person. Vice Chair Arakawa had not been asked for any contribution despite being the most familiar with the audit process, and he was concerned that the issue had been glossed over. In the first paragraph of the audit report, when the State Auditor spoke, he referred to

> "individuals affiliated with the authority or organizations with which the individuals affiliated with the authority were associated."

Vice Chair Arakawa believed that the most troubling issue, as was mentioned in the report's first paragraph, was a superior asking a subordinate to use a facility. He accepted that the issue had been addressed and thought that policies and procedures had now been put in place, but he felt that the public and the Board should not gloss over this situation. Vice Chair Arakawa believed it was not correct to proclaim that there had been no abuse of discretion. Future policies and procedures should be designed to address this concern. Otherwise, Vice Chair Arakawa agreed with all of Chair Apo's comments and thanked him.

Dir. Tokioka agreed with Chair Apo's assessment of this situation. Dir. Tokioka had been one of the most vocal people in the previous two meetings, but he now believed that the best thing to be done was to move forward. As Chair Apo had said, the HTA needed to learn from what happened and change or review the processes so that it could never happen again. Dir. Tokioka believed that everyone agreed that the situation should not have arisen and that better safeguards should have been in place. HTA should take the blame; the Board fixed it and will now move forward. However, Dir. Tokioka believed that the auditor would hear Chair Apo's comments and respond to them as was his prerogative. At this point, Dir. Tokioka believed that enough had been said for the Board to know what to do next, and it was incumbent on it to move forward. As Chair Apo had advised, Board members should be very cautious, and staff members should bring any situation that appears not to be correct to the attention of the Board Chair and the CEO. Otherwise, Dir. Tokioka was ready to move on, just as Chair Apo had said.

Chair McCully thanked Dir. Tokioka and called on Ms. Paishon.

Ms. Paishon thanked Chair Apo and Vice Chair Arakawa for their comments. She agreed with everyone's comments and encouraged Board members to move on while tightening up policies and procedures and strengthening the gaps. Additionally, Ms. Paishon remained concerned about how this would unfold regarding public perception of the HTA's communications. She believed there could be concerns about possible defamation or targeting of certain individuals, whether at staff or Board level. She advised committee members to be careful about their communications and messaging and to be wary of various perspectives. Ms. Paishon expressed the hope that Board members could avoid positions where they might face accusations of defamation or similar issues.

Chair Apo stated that he forgot to update us on the requests from Board members for documents or information relating to this discussion. Chair Apo had asked the HTA staff to simply compile the list of requested documents and information rather than struggling to assemble the documents quickly. He undertook to work with staff to collate the list of requests and assemble the documents most efficiently for submission to this committee and ultimately to the full Board if necessary. Chair Apo wanted to remind Board members that their requests had not been forgotten.

Chair McCully thanked Chair Apo for this contribution. Chair McCully stated that what he understood from Chair Apo's comments was the final recommendation from the auditor not only that management should review the propriety of year-end client-proposed financial reporting entries but also that these entries should actually reflect the balances. Chair McCully inferred from this the importance of a strong CAO and a strong CEO, because this issue concerned management practices. He noted that the HTA Board was not a management Board (and, at this point, might not even be a governing Board), so it was important that the administrative staff be effective. Chair McCully added that the previous CEO had occupied two responsibilities, CEO and CAO, simultaneously, and, without criticism, this was a difficult task.

Chair McCully commented that if there were no further discussions from members, he would close this matter until the State Auditor was able to attend a meeting and provide his advice.

Chair McCully reminded members that Agenda Item 5 was "Presentation, Discussion, and Action on HTA Personnel and Leadership," with the first item being "Discussion, Evaluation, and Action Relating to the Resignation of Interim President & CEO Daniel Nāhoʻopiʻi and the Proposed Interim President & CEO, Chief Administrative Officer, Caroline Anderson. As a result, Other Personnel Discussion and Action May be Required, per Bylaws Article VI, Sec 3 and 201B-2, (7)(f)."

Chair Apo requested that the committee enter an executive session because the agenda item was likely to entail discussing personnel and legal issues that might affect the HTA. He noted that he had attended the staff meeting on Thursday and had also met the HTA leadership individuals separately to attempt to understand the various perspectives raised by this agenda item, including the resignation of the previous CEO. He requested that this discussion take place in an executive session and asked AG Cole to review the legal justification.

AG Cole responded that the committee was to enter executive session under HRS§92-5(a)(2), which permitted an executive session to consider the hire or evaluation of an officer where matters affecting privacy would be involved, and also under HRS§92-5(a)(4), to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, and liabilities.

Chair McCully thanked AG Cole and called for a second for Chair Apo's motion. Vice Chair Arakawa seconded the motion, and the motion was carried unanimously.

Chair Apo requested that only the Board members and AG Cole should attend the Executive Session, without the presence of the HTA staff.

Chair McCully thanked Chair Apo for this contribution and asked whether any staff members would be required to maintain the Zoom conversation.

Mr. Kishi stated that he would help with the Zoom but would leave the room with everything set up.

Mr. Choy asked Chair McCully to text him at the end of the executive session.

Chair McCully asked for any discussion, and hearing none, he called for the vote.

Mr. Kishi conducted the roll-call vote, and the motion was carried unanimously.

The public session paused to enter the executive session at 10:26 a.m.

5. Presentation, Discussion, and Action on HTA Personnel and Leadership***

a. Discussion, Evaluation, and Action Relating to the Resignation of Interim President & CEO Daniel Nāho'opi'i and the Proposed Interim President & CEO, Chief Administrative Officer, Caroline Anderson. As a Result, Other Personnel Discussion and Action May be Required, per Bylaws Article VI, Sec 3 and 201B-2, (7)(f)***

The regular meeting resumed at 11:55 a.m.

AG Cole reported that the committee members had entered executive session for Agenda Item 5(a). Extensive discussion had taken place concerning the issue of the interim President/CEO. A motion of recommendation for the interim President/CEO had been proposed and seconded but had not passed. Hence, no actions had been taken.

Chair McCully thanked the committee members for their robust discussion.

Chair Apo continued his efforts to reach various people to provide recommendations for the next Board meeting.

6. Adjournment

The meeting adjourned at 11:57 a.m.

Respectfully submitted,

Sheillane Reyes

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Sheillane Reyes
Recorder